


COUNTY OF YORK

MEMORANDUM

DATE: May 4, 2006 (BOS Mtg. 6/27/06)

TO: York County Board of Supervisors

FROM: James E. Barnett, County Attorney 

SUBJECT: Proposed amendment to York County Code §21-156—County's meals tax, application to tips and service charges

The 2006 General Assembly adopted HB 896 and SB 85, which amended the extent to which a gratuity or service charge paid in connection with the purchase of a meal may be taxed under a local meals tax as being included as part of the sales price. As before, a tip or service charge which is wholly discretionary on the part of the purchaser is not included as part of the price of the meal upon which the meals tax may be assessed. However, as of July 1, the rules change with respect to mandatory gratuities and service charges which are imposed by a restaurant or other seller of food, and are required to be paid by the purchaser. Previously, all of any such mandatory gratuity or charge was included as part of the price of the meal, and the meals tax was imposed upon it. As of July 1, a mandatory gratuity or service charge will be exempt from the meals tax, but only that portion which does not exceed 20% of the price of the meal. Any mandatory gratuity or service charge in excess of that amount will be considered part of the price of the meal for the purpose of the computation of the meals tax.

This statutory change requires an amendment to County code § 21-156, which sets out the circumstances under which tips and service charges will be taxed as part of the purchase price of a meal. The attached draft ordinance incorporates the provisions required by HB 896 and SB 85, effective July 1. I recommend its adoption.

Barnett/3440:swh
Attachment

- Proposed Ordinance No. 06-9